

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6019**

**BILL NUMBER:** SB 508

**NOTE PREPARED:** Dec 27, 2012

**BILL AMENDED:**

**SUBJECT:** Health Coverage.

**FIRST AUTHOR:** Sen. Steele

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **X DEDICATED**  
                              **X FEDERAL**

**IMPACT:**

**Summary of Legislation:** This bill removes a Healthy Indiana Plan eligibility requirement that an individual be without health insurance coverage for 6 months. The bill exempts certain short-term accident and sickness insurance policies from certain requirements if the policy duration is less than 12 months. (Current law provides the exemptions if the duration is less than 6 months.)

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** *Summary:* The bill would allow otherwise eligible individuals to qualify for the Healthy Indiana Plan (HIP) immediately upon losing health insurance coverage. The bill would affect a period of only 6 months - from July 1, 2013, through December 31, 2013. Thereafter, any affected individuals would be covered under the provisions of the federal Affordable Care Act (ACA). The fiscal impact to the state is indeterminate, being dependent upon: (1) the number of caretaker applicants (parents) who would be denied coverage solely due to having had insurance within 6 months of the application; (2) the number of months the applicants have been without insurance; and (3) the adult (noncaretaker) HIP population remaining capped at the current level and unaffected by this provision. Based on certain assumptions described below, this provision could have a potential state fiscal impact of around \$233,000. The Indiana Check-up Plan fund had a free balance of \$293,568,428 on June 30, 2012.

**Background:** The Office of Medicaid Policy and Planning (OMPP) reported that in the 18-month period ending September 2012, there were 2,913 caretaker applicants denied due to having had insurance within the last 6 months, although some of these applicants were denied for multiple reasons. There are no data to indicate

whether applicants were denied solely for having been insured or for other reasons that would prevent the applicant from being accepted for the HIP program. Nor is there data to determine the number of months an otherwise eligible applicant may be required to wait before becoming eligible. This provision could result in an estimated state fiscal impact of around \$233,000 if: (1) 50% of the average monthly denials are assumed to be solely related to the applicant having had insurance within 6 months; (2) there is an average of three months without insurance before applying; (3) there is a per-member-per-month cost of caretaker adults of \$415.69; and (4) total denials average 162 per month. The Indiana Check-up Plan fund had a free balance of \$293,568,428 on June 30, 2012.

The HIP program is operated as a Medicaid waiver. Medicaid is jointly funded by the state and federal governments. The effective state share of Medicaid program expenditures is approximately 33% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 67%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%.

**Explanation of State Revenues:** *Short-Term Insurance Policies:* Current law specifies that a short-term insurance plan can be offered for a maximum duration of 6 months. This bill allows short-term insurance policies to be offered for a maximum duration of 12 months. By allowing insurance providers to offer short-term insurance policies for a longer period, the insurance premiums for these policies may increase. If, as a result of this bill, insurance companies offer short-term insurance policies for a longer duration of time with increased premiums for the extended coverage, state revenue from the insurance premium tax could increase. Revenue received from the insurance premium tax is distributed to the General Fund.

Actual increases in state revenue from insurance premiums for extended short-term insurance policies are indeterminable, but expected to be small.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** OMPP, Family and Social Services Administration.

**Local Agencies Affected:**

**Information Sources:** Family and Social Services Administration.

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